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# PUBLIC UTILITY ECONOMICS

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**PUBLIC UTILITY ECONOMICS**

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## PREFACE

This is a book on public utility economics designed primarily for college students, although it may also be read by others interested in the subject. The need for another text in the field of public utility economics requires no demonstration. The march of events since 1933 has obviously antiquated all publications prior to that time. Thus it is to be expected in a field so dynamic, so changing, as public utilities that new analyses will from time to time appear.

At the beginning of this venture, it was necessary to establish a basic pattern of presentation. Specifically, it was necessary to choose between the extremes of generalized discussion and documented analysis. Although the former has the advantage of smoothness of reading, it has seemed nevertheless essential to choose the latter pattern. In fact, we have attempted to combine these choices by placing in footnotes all minor points and data, thereby preserving a maximum of smoothness of thought in the body of the writing. The necessity of documentation arises from the fact that forty-seven state and four federal commissions, one federal and forty-eight state judicial systems, and many trade and semiofficial organizations have contributed to the literature on public utilities. If it appears that we have been guilty of excess documentation, may not the fault lie with the subject matter?

We have followed but two fundamental assumptions in this writing. First, we have accepted the dominance of private ownership in all but water supply and on that basis have attempted to set out the many problems that exist. Choosing this position, we do not necessarily defend it or deny the possibility of other (and possibly more adequate) types of ownership and operation. Second, we have assumed that our study is basically a study in economics. True, it is not a study in competitive economics; nevertheless, it is part of economics because it treats of a portion of our productive capacity using scarce resources to satisfy human wants. As we show more in detail in Chap. I, our study is primarily an illustration of institutional economics.

One more word of explanation: A reading of this text may leave the impression that too much emphasis has been placed on state regulation, too little on federal regulation. If this is so, it can be defended on the ground that state regulation is now approaching its fortieth birthday, whereas federal regulation in the same area is still in its

infancy. The place of the state commission thus can be easily mapped, whereas that of the federal bodies is in the making. When the pattern of federal regulation becomes established, a better picture of it will be made. In the meantime let us remember that we have this dual regulatory arrangement and that the complete control of public utilities requires the continued and complementary development of both.

This book is the product of 10 years' work and planning. It was initially conceived by its senior author when he was working on educational materials then used by the Commonwealth Edison Company of Chicago. In 1938, the junior author, Wendell R. Smith, joined the enterprise, contributing especially the material on utility organization and finance, the public power projects, and the Tennessee Valley Authority, as well as assisting in the final phases of preparation of the manuscript.

In such a venture many have assisted in one way or another. First and foremost has been the inspiration of the senior author's father Dean C. M. Thompson of the University of Illinois. Next he wishes to acknowledge the important contributions of the following persons: Dorothy Palmer Thompson, Robert S. Johnson, Joe L. Zachary, George W. Hartman, C. Emery Troxel, Melvin Wren, and Verle McElroy. Last, but not least, thanks are due the many students of the University of Iowa on whom the authors have from time to time imposed portions of the manuscript.

Many institutions and agencies have given us invaluable assistance. Among them are:

Bureau of the Census.  
Tennessee Valley Authority.  
 Bureau of Reclamation.  
 Public Works Administration.  
 Work Projects Administration.  
 Wisconsin Public Service Commission.  
 Edison Electric Institute.  
 American Gas Association.  
 Federal Power Commission.  
 Federal Communications Commission.  
 Securities & Exchange Commission.  
 Commonwealth & Southern Corporation.  
 The Stone & Webster organizations.

Especially do we wish to thank the National Youth Administration for invaluable stenographic and research assistance. The completion of the book at this time has been possible only because of the skilled service supplied by that agency.

PREFACE

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Finally, we have a special debt to acknowledge, namely, the contribution of Glaeser's *Outlines of Public Utility Economics*. One cannot use a book for years without being at least unconsciously affected by its viewpoint and pattern. Although our venture has been written without reference to it, we nevertheless feel that justice demands this acknowledgment.

Naturally, however, while we gratefully acknowledge our debt to these and many other sources, we assume full responsibility for the viewpoint here presented.

C. WOODY THOMPSON,  
WENDELL R. SMITH.

IOWA CITY, IOWA,  
February, 1941.

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